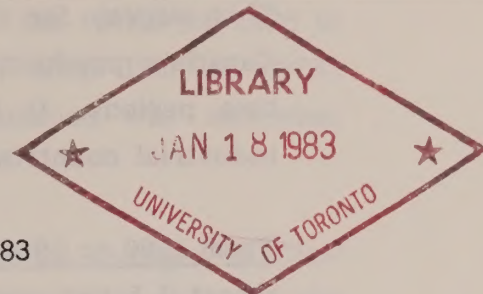




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NOT FOR RELEASE BEFORE: January 12, 1983

TORONTO, January 12, 1983 As part of its discussion paper series, the Ontario Economic Council today released a survey paper on the important subject of productivity.

This study is titled- PRODUCTIVITY: A SELECTIVE SURVEY OF RECENT DEVELOPMENTS, AND THE CANADIAN EXPERIENCE.\* Its authors are Michael Denny and Melvyn Fuss, both professors of economics, Department of Economics, University of Toronto.

Interest in this subject has been high because of what the study calls, "THE GREAT PRODUCTIVITY SLOWDOWN". Very low productivity growth rates have continued for the past eight years, and a sharp rapid turnaround seems unlikely. However, the authors believe, 'that the next decade will see a slow recovery to productivity growth rates close to the historical average.' They go on to say, 'Our brief historical survey suggests that substantial variations in average productivity growth are not unusual, even over decades. If we are currently moving through a period of slow productivity growth rates, we should remember that earlier historical periods did too.'

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\* This report reflects the view of the authors and not necessarily those of the Ontario Economic Council or the Government of Ontario. The Council establishes policy questions to be investigated and commissions research projects, but it does not influence the conclusions or recommendations of the authors. The decision to sponsor publication of this study was based on its competence and relevance to public policy.



This survey for the Council assessed the knowledge we have about Canada's productivity performance both recently, and over longer time periods. It found that the productivity performance of most industrial countries has been poor during the last decade.

'From 1890 to 1966, average annual real output growth equalled almost 3.5 per cent. The equivalent growth in labour input was approximately 1.25 per cent and in labour productivity, approximately 2.25 per cent. This historical pattern continued until about 1973, when the growth rate plunged...' Over the 1973-1978 period labour productivity growth was 0.5 per cent (see table #3, page 22).

Denny and Fuss argue that the prolonged productivity growth slowdown of the last decade has not been adequately explained. The authors report the findings of a controversial Department of Finance study which found 'the sharp falloff in the energy sector and a slowdown in the growth of the capital to labour ratio' to be the only significant factors. These account, however, for only 50 per cent of the total decline.

The authors of this Council study add that a wide variety of suggested causes have often not been investigated in sufficient depth.

They say that while historical evidence on Canada's long-run productivity is slight, the available information suggests two conclusions.

1. There have been substantial fluctuations in average productivity growth in different subperiods of our history. If we consider this observation, then our evaluation of the recent poor productivity growth can be tempered.
2. Overall, our long-run performance has been in line with most industrial countries. 'During the seventeen years after 1956, Canadian productivity continued to grow at rates well above the



average for 1890 to 1956, but slightly below the rates for 1926 to 1956. The U.S. also followed this pattern from 1958 to 1973, although its falloff from the previous subperiod was somewhat greater than Canada's.'

This survey has found that the concentration on changes in Canada's productivity performance over time tends to obscure the importance of changes in relative productivity performance among Canada's regions and between Canada and the rest of the world.

Five important points should be noted.

- o First, all of Canada's regions have benefited from productivity growth in the post-war period.
- o Second, Denny and Fuss found not all industries were equally affected by the Great Productivity Slowdown. For 80 per cent of the regional industries shown, productivity fell during the 1970s. Wood, paper, transportation equipment, and petroleum and coal products suffered severe declines. Textiles, clothing, and machinery, however, had increases or declines that were small compared to those in most industries. This evidence reinforces our belief that although the breadth and depth of productivity declines are very large, there remains a significant, if small, portion of the economy that has continued to have improvements in productivity matching or surpassing the results achieved during the 1960s.'
- o Third, all regions have suffered from the slowdown but not equally. Ontario and British Columbia have been hit hard. They have suffered the sharpest declines, and the Atlantic region the slightest. Differences in the regions' industrial structures account for much of this variation in impact. Manufacturing in Ontario and British Columbia is more heavily concentrated in the industries that have had severe productivity declines than it is in other regions.

- o Fourth, the gap between Canadian productivity and U.S. productivity has been changing slowly in Canada's favour, although the level of productivity remains substantially higher in the United States.
- o Fifth, the understanding of the productivity differential between Canada and the United States is weak and requires much more detailed understanding of its causes.

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Productivity: A Selective Survey of Recent Developments and the Canadian Experience, Ontario Economic Council Discussion Paper, 61 pages, price \$3.00, is available at the following outlets:

The Ontario Government Bookstore, 880 Bay Street, Toronto, to those shopping in person. Out-of-town customers may write: Publications Section, Fifth Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8, or telephone 965-6015 (toll-free long distance, 1-800-268-7540; in northwestern Ontario, 0-Zenith 67200). A cheque or money order, payable to the Treasurer of Ontario, must accompany all mail orders.



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